

BOARD OF EXAMINERS MEETING

June 17, 2019

1. A. Call to Order and Confirmation of Attendance

Governor Steve Bullock, as President of the Board of Examiners (Board), called the meeting to order on June 17, 2019, at 11:05 a.m. in Room 250 of the State Capitol with Secretary of State Corey Stapleton in attendance. On the phone was Attorney General Tim Fox.

Staff and advisors present were: John Lewis, Mark Bruno, Kendra Whitaker, Kim Peck and Cody Pearce, Russ Katherman, Department of Administration; Catherine Duncan, Legislative Fiscal Division, Jonathan Heroux, Piper Jaffray & Co., Tom Livers, Ryan Evans, Office of Budget and Program Planning (OBPP); Christi Jacobsen, Secretary of State's Office (SOS); Anna Miller and John Tubbs, Department of Natural Resources and Conservation (DNRC); and Dan Semmens of Dorsey & Whitney LLP;

B. Approval of Minutes of Board of Examiners Meeting of May 21, 2018.

Motion and Vote: Governor Bullock called for a motion to approve the minutes of the Board of Examiners meeting of May 21, 2018. Tim Fox so moved. The motion passed unanimously.

C. John Lewis, Director, Department of Administration: Overview of Agenda

John Lewis briefly described the items on today's agenda.

Tabs 2 and 3 are related to the reimbursement of original expenditures made by the State in connection with HB 652. HB 652 is the bonding bill that was carried by Representative Mike Hopkins. Tom Livers (OBPP) will give a brief presentation on types of projects in HB 652 (tab) 2. Dan Semmens will explain the related resolution in (tab) 3.

The remaining items on the agenda are related to water projects for DNRC.

Agenda tab 4 and 5 deal with the issuance of up to \$1,100,000 General Obligation Renewable Resource Program Bonds Taxable Series 2019C. Anna Miller (DNRC) will discuss item 4 and the water conservation type projects involved in the Renewable Resource Program. Dan Semmens will explain the related resolution in agenda item 5.

Agenda items 6 and 7 associated with the Coal Severance Tax Bonds the need of issuance of up to \$6,500,000 2019 series D Taxable Bond, to the Board of Investments. Anna Miller (DNRC) will discuss item 6 about the program and the list of eligible projects. Dan Semmens will explain the related resolution in Tab 7.

The final item is agenda item 8 related to any other business for the board.

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2. Office of Budget and Program Planning (Tom Livers): Reimbursement of Original Expenditures made by the State in Connection with HB 652:

Tom Livers said the Capital Budget Office has convened state agencies to get a sense of what the cash needs are to implement HB 652. He passed out a handout. There is only \$3,000,000 needed for this summer 2019 construction season then in January, winter of 2020 another \$9,000,000. The following summer another \$15,500,000. We will need one bond issuance to cover all the issuance in the amount of \$27,500,000 come this late calendar or early in the following calendar year.

He said we will need to float the \$3,000,000 from other sources within the State, general fund loan or from a state special account. He said when we do issue the bonds, we will reimburse the account that we borrowed \$3,000,000 from. Director Livers said this was a money management thing to wait to issue bonds before we really need to. The agencies that are covered are Architecture and Engineering at the Department of Administration which covers the state Long Range Building projects. Department of Commerce has 2 two-piece Treasure State Endowment which are the projects that are below the fund line, and also delivering local assistance to the local grant program. Department of Natural Resource and Conservation has Renewable Resource Grant Program and Reclamation Development Grant program projects that were below the funding line.

He briefly went through HB 652 and the projects are listed in it.

All the dollar amounts Director Livers has mentioned are estimates, and are subject to change based on actual cash flow and actual bond proceed needs

3. Dorsey & Whitney LLP (Dan Semmens): Reimbursement Resolution relating to Financing of Various Infrastructure Projects and Funding Infrastructure Grant Programs: Resolution relating to Financing of Various Infrastructure Projects and Funding Infrastructure Grant Programs by the State of Montana; Establishing Compliance with Reimbursement Bond Regulations under the Internal Revenue Code (the "Reimbursement Resolution")

Dan Semmens discussed the need to do a reimbursement resolution to be in compliance with the IRS code for tax exempt bonds.

Dan then read the resolution to the board.

Secretary of State Stapleton asked a clarification question related to the resolution. Dan Semmens said If you are going to do a reimbursement from the issuance of bonds, we need to adopt or have a reimbursement declaration. He provided an example related to Architecture & Engineering engaging consultants (architects and engineers) to do work on projects in the early phase of a project.

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The Board had some discussion about the current bond rates with Jonathan Heroux, Dan Semmens and Tom Livers. They said we are in a low interest rate environment currently. It is a very attractive time to issue bonds. However, you must spend proceeds 85% of the net proceeds within 3 years. Some of the new processes have to be flushed out before the state is ready to issue. The group said they would watch the market closely and would issue if things change.

Motion and Vote: Governor Bullock called for public comment. Hearing none, he then called for a motion to adopt the initial authorizing resolution. Secretary of State Corey Stapleton so moved. The motion passed unanimously.

4. Department of Natural Resources and Conservation (Anna Miller): Non-Point Source Renewable Resource Bond:

Anna made the request to authorize the \$1,100,000 in Bonds for the Renewable Resource Loan Program for private entities. Farmers and ranchers that are considering putting in more energy and efficient irrigation systems. It will be replacing the old irrigation and flood irrigation systems. They will be putting in new piping to replace the leaking pipes and putting in more efficient pumps. So, then they can be more efficient with delivering water for agriculture purposes.

5. Dorsey & Whitney LLP (Dan Semmens): Non-Point Source Renewable Resource Resolution: Resolution Relating to \$1,100,000 State of Montana General Obligation Renewable Resource Program Bond, Taxable Series 2019C (Non-Point Source Loan No. 21); Authorizing the Issuance Thereof the State of Montana Water Pollution Control State Revolving Fund Program, Establishing the Terms and Conditions Thereof and Approving and Authorizing the Execution of Documents Pertaining There to (the "Series 2019C Bond Resolution")

Dan Semmens said the program is taxable because there is not a government use here. It is for the farmers and ranchers that are getting the benefit of the equipment that is providing the irrigation. The State is able to borrow from the SRF program. Taxable rates are higher than tax exempt rates, but this loan is at 2.5% because it is under the SRF program. The loan rate is reduced for the farmers and ranchers because the State is borrowing at a low interest rate.

Dan Semmens then read the resolution in tab 5.

Motion and Vote: Governor Bullock called for public comment. Hearing none, he then called for a motion to adopt the initial authorizing resolution. Attorney General Tim Fox so moved. The motion passed unanimously.

6. Department of Natural Resources and Conservation (Anna Miller): Coal Severance Tax Bonds:

Anna Miller discussed the request to issuance of up to \$6,500,000 Renewable Resources Coal Severance Tax Bonds. This money is going to fund resources improvement projects are; Huntley

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Irrigation District for sugar beets planting and agriculture use, Lockwood Irrigation District for agriculture use, then some small towns, Lima, Moore, Belt. Also, two Water and Sewer District which are doing general improvement to their water and sewer systems DNRC is work with them.

HB 8 was passed with dollar amount of about \$80,000,000, we are issuance the \$6,500,00 to get the projects started.

She pointed out the pictures in tab 6 and there was some discussion on the town of Plains Lagoon near the river.

7. Dorsey & Whitney LLP (Dan Semmens): Coal Severance Tax Bonds Supplemental Resolution: 2019 Series D Taxable Supplemental Resolution relating to State of Montana Coal Severance Tax Bonds, Department of Natural Resources and Conservation, Renewable Resource Program, 2019 Series D Taxable Bonds in the original aggregate principal amount of up to \$6,500,000 (the "2019 Series D supplemental Resolution").

Dan Semmens said this is the first part of HB 8 authorization. A number of the projects have been in the works for a while.

Dan Semmens explained and read the resolution in tab 7 to the Board.

Motion and Vote: Governor Bullock called for public comment. Hearing none, he then called for a motion to adopt the initial authorizing resolution. Secretary of State Corey Stapleton so moved. The motion passed unanimously.

8. Governor: Other Business:

There was no other business. The meeting adjourned at 11:34 a.m.

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Governor Steve Bullock
President of the Board

Secretary of State Corey Stapleton
Member of the Board

Attorney General Tim Fox
Member of the Board

John Lewis
Executive Secretary